



# MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # 243-2007

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CITY CLERK'S OFFICE

## LETTER TO COMMISSION

TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: November 1, 2007

SUBJECT: **Special Session D - Property Tax Reform**

The purpose of this LTC is to provide the Mayor and City Commission with information regarding the final property tax reform package approved by the Florida Legislature. Special Session D ended on Monday when the House of Representatives approved the package that the Florida Senate approved earlier that day. This proposal replaces the "super-homestead" exemption that was ruled misleading and removed from the January 29, 2007 ballot. The new proposal is in addition to the statutory restrictions approved by the Legislature in June 2007 which limit the annual growth in local property tax revenue to the growth rate of Florida Per Capita Income.

The Administration estimates that the new proposal will have a 2008/09 impact to the City of approximately \$2,996,275. This proposal will be presented to the voters on January 29, 2007 as a constitutional amendment with the following components:

- Additional \$25,000 homestead exemption on the assessed value between \$50,000 and \$75,000 (impact to the City of Miami Beach: \$2,058,947);
- Portability of the Save Our Homes differential; up to \$500,000 of value may be transferred within two years (impact to the City of Miami Beach: up to \$590,926);
- \$25,000 exemption for tangible personal property (impact to the City of Miami Beach: \$346,402);
- A 10% cap on annual increases in assessed value for non-homestead property.

Attached, please find the Final Legislative Report provided by the City's lobbyists for the Special Session, as well as a document prepared by the Senate Majority Office that provides more information on the proposal. If you have any questions or need additional information, please do not hesitate to contact me.

JMG/HF/KGB/kc

c: Executive Staff

Attachments (2)

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**MEMORANDUM**

**T0:** Mayor David Dermer  
City Commissioners and City Manager Gonzalez  
City of Miami Beach

**VIA:** E-mail to Kevin Crowder

**FROM:** Gary Rutledge  
Fausto Gomez  
Bob Levy  
Margie Menduni  
Jon Costello  
Manny Reyes  
Stephen Cline

**Date:** October 26, 2007

**Re:** **Final Legislative Report, 2007 Special Session D**

The tumultuous Special Session D which was called by the Senate President and House Speaker to begin ten minutes after the close of Special Session C October 12 and to run through October 29 was called to readdress property tax reform passed during Special Session B 2007 and ruled misleading by the court.

At the outset of Special Session D, the Governor, Senate President Pruitt and Speaker Rubio had an agreement to address basic property tax reform, including a doubling of the homestead exemption, an exemption for first time homebuyers, an exemption for low income seniors and a reduction of ad valorem taxes on tangible personal property tax for businesses. The leadership of both Chambers felt that initially they could hear the proposals in committees on October 15-16 and have the bills passed out of both Chambers by the 17. However, during House Committee meetings, additional proposals were passed, including a cap on non-homestead property, some relief for working waterfronts and an elected property appraiser for Miami-Dade County. During Senate Committee, some restrictions were placed on the extension for low income seniors which antagonized the South Florida Republicans and a revolt was felt from Senators and House members who represented fiscally constrained counties. The Senate passed their version of the

Joint Resolution on 10/18 and left town. The House, when they could not garnish enough votes struck a deal with House Democrats and completely changed the homestead portion of the bill from a double homestead to an assessment based on 40% of the median home value in each county. The House passed that version of the bill by a margin of 108-2 on 10/22 and left town.

The Senate returned to Tallahassee on the last day of session, 10/29, took the House bill that was in messages, stripped it and substituted a four-part tax plan, passed it out by late morning and told the House that they had completed their business. The House spent the rest of the day on 10/29 discussing possible strategy, expressing their displeasure with the Senate and its product and then finally, by 7:00 p.m., passed the Senate proposed constitutional amendment, implementing bill and a bill putting the proposed amendment on a ballot for a Special Election on January 29, 2008. The following is a summary of the three bills that passed:

Senate Joint Resolution 2D provides two tax breaks for homestead properties and two tax breaks for non-homestead. Homestead properties are provided portability of their current homestead savings if they move on January 1, 2009 or later. The portability exemption applies if the new home is purchased within two years of the sale of the homestead. So, those Floridians who moved after January 1, 2007, if the constitutional amendment passes, can take advantage of the portability. If the homesteader purchases a more expensive home, the assessed value of the new homestead minus the lesser of either \$500,000 or the difference between the just value and the assessed value of the prior homestead is taken. If the homesteader is downsizing, the assessed value of the new house is equal to the just value of the new house divided by the just value of the old house times the assessed value of the old house. The portability provision applies both to local government and school millage.

The second provision for homesteaded property is an additional \$25,000 exemption on the assessed value of a home greater than \$50,000 but up to \$75,000. This is in addition to the \$25,000 exemption currently available to homesteaders. This exemption does not apply to the school millage, only to local government millage.

For non-homestead property, the proposed amendment provides a 10% tax cap on the assessment of non-homestead property. It also provides that no assessment shall exceed just value. It does not apply to school millage and it resets with the change of ownership.

Non-homestead commercial property which is subject to tangible personal property on ad valorem taxes will receive a \$25,000 exemption on the assessed value of property subject to tangible personal property tax.

The Joint Resolution passed the House by a vote of 97-18 with two negative votes from Republicans Rene Garcia and Will Kendrick. The Joint Resolution was been signed by officials and filed with the Department of State to meet the 5:00 p.m. deadline on October 30.

City Representatives Bendross-Mindingall, Gelber and Luis Garcia voted in opposition to the Joint Resolution.

Senate Bill 4D is an implementing bill for the Joint Resolution. It passed the House by a vote of 108-7. Descending votes were Democrats. City Representative Bendross-Mindingall voted in opposition to the bill. The bill places statutory language to implement the four provisions of the Joint Resolution. In addition, it provides the Department of Revenue with the authority to promulgate emergency rules to implement the Joint Resolution if it should pass. It also directs the Department of Revenue to report to the Legislature by March 1, 2008, the results of local governments implementation of statutory legislation passed on property tax in Special Session B.

In applying the exemptions for tangible personal property, the bill specifies that each tax return shall receive the \$25,000 exemption. A return must be filed for each site where business is transacted. It does stipulate that free-standing property placed at multiple sites other than where business is transacted, for example, utility and cable sites file one return in each county.

The bill further provides that beginning in fiscal year 2008-2009, the Legislature shall provide funds to offset reductions in ad valorem taxes for fiscally constrained counties which resulted from changes to the constitution approved by voters on January 29, 2008.

The bill addresses the assessment of changes to property whether by calamity or by improvements. The bill has gone to the Governor and his action date is November 14.

Senate Bill 6D provides for a Special Election on January 29, 2008, for voters to vote on Joint Resolution 2. The bill passed the House by a vote of 112-3. That bill has been sent to the Governor and his action date is November 14.

It was our pleasure to monitor and analyze the numerous versions of the property tax reform plans under direction from Kevin Crowder and to interact with the City's legislators, Representatives Gelber, Bendross-Mindingall and Luis Garcia. Senator Margolis was excused for health reasons.

# Property Tax Reform SJR 2D and SB 4D

Property Tax Basics  
Property Tax Relief & Education

Prepared by the Senate Majority Office

# SJR 2D and SB 4D

Passed by the Legislature  
October 29, 2007

Prepared by the Senate Majority Office

Pg 1: Portability

Pg 3: Double Homestead Exemption

Pg 4: Tangible Personal Property

Pg 5: Non-Homestead Assessment Cap

# Save Our Homes Portability

## What is portability?

Save Our Homes (SOH) is a policy that prevents homesteaded property taxes from increasing more than 3% per year. Portability allows homeowners to transfer their current SOH tax benefit when they move from one home to another.

## How it works:

When a homeowner moves into a more valuable home, the entire savings they receive under SOH is transferred to their new home. If the new home is less valuable, the transferred savings will be proportional to the value of the new home, as the following chart shows.

### Helpful details ...

- >> Homeowners have until the 2nd January 1 after the day of sale to transfer their SOH savings.
- >> The transferred SOH benefit may not exceed \$500,000.
- >> Floridians who moved from one homestead to another in 2007 are eligible to transfer their benefits.
- >> The SOH benefit can be transferred throughout Florida – for example, a homeowner can sell in Miami-Dade and transfer their benefit to Jacksonville.
- >> This benefit applies to all taxes, including school taxes.

## Why it's good for taxpayers:

- >> Portability is designed to spark the economy by removing the tax hurdle to home sales.
- >> Portability has a minimal impact on local governments. When the Smiths downsize into a smaller home that meets their needs, thanks to portability, the Joneses can afford to buy the Smiths' home.
- >> Floridians are freed to focus on their needs when purchasing a home, rather than worrying about tax implications.
- >> Portability eliminates the "lock-in effect," which prevents homeowners – such as seniors and empty nesters – from downsizing when their needs and lifestyles change.
- >> Growing families, whether they need more space or want a backyard for their children, under portability can make that change without being penalized with large spikes in their tax bills.
- >> Portability gives Floridians more freedom to choose where to live and what sort of home to buy.



## Without Portability



Just Value: \$600,000  
Accumulated SOH benefit: \$0  
Assessed Value: \$600,000

Upsize



Just Value: \$400,000  
Accumulated SOH benefit: \$200,000  
Assessed Value: \$200,000



Just Value: \$200,000  
Accumulated SOH benefit: \$0  
Assessed Value: \$200,000

Downsize

## With Portability



Just Value: \$600,000  
Accumulated SOH benefit: \$200,000  
Assessed Value: \$400,000  
**Entire savings transferred**

Upsize



Just Value: \$400,000  
Accumulated SOH benefit: \$200,000  
Assessed Value: \$200,000



Just Value: \$200,000  
Accumulated SOH benefit: \$100,000  
Assessed Value: \$100,000  
**Savings is proportional to value of new homestead (in example, 50% less)**

Downsize



# Doubling the Homestead Exemption

## What is the homestead exemption?

- >> Currently Florida homeowners do not pay taxes on the first \$25,000 of their home's value. This is called the homestead exemption.

## How it works:

- >> An additional \$25,000 homestead exemption is provided for the assessed value of homestead property above \$50,000. This exemption does not apply to school taxes.

## Why it's good for taxpayers:

- >> Home values have continued to increase, so it makes sense that Floridians see their homestead exemption increase.
- >> This provision gives voters the opportunity to provide immediate, substantial relief. Upon voter approval of the constitutional amendment, homeowners will begin enjoying the expanded exemption.
- >> If the homestead exemption had grown at the rate of the Consumer Price Index, it would have been \$60,275 in 2006.

# Tangible Personal Property Tax Exemption

## What is Tangible Personal Property?

- >> Tangible Personal Property is defined as all goods, and other articles of value. This includes: machinery, equipment, furniture, fixtures, signs, window air conditioners, supplies, leased, loaned, borrowed, or rented equipment used in a business, mobile home attachments on rented land (carport, screened porch, Florida room, etc.) furniture and appliances in rental properties.

## What is the Tangible Personal Property Tax?

- >> Florida's Constitution provides for an ad valorem tax on tangible personal property. Household goods and motor vehicles, boats, airplanes, trailers, trailer coaches and mobile homes are exempt from this tax.
- >> Every person owning tangible personal property used in a business, commercial venture, or rental property is required to file an annual return with the Property Appraiser. Residential properties are exempt from this tax.

## How it works:

- >> Business owners must submit a line item accounting of all tangible personal property used in their businesses. Each year, the business owner must adjust the value of the tangible personal property they own.
- >> Through SB 2-D, the Florida Senate has provided a \$25,000 exemption from ad valorem taxes to tangible personal property.

## Why it's good for taxpayers:

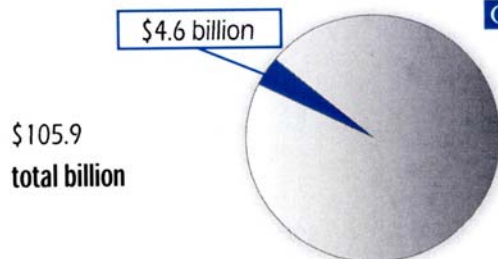
- >> Of the 1,235,394 tangible personal property taxes filed in 2007, 1,005,660 were for taxable amounts less than \$25,000. This exemption would free over 1,000,000 taxpayers from the burden of filing this return. (See Chart 1)
- >> The total amount of taxes collected from exempted taxpayers accounts for only \$4.6 billion of the total taxable value of \$105.9 billion. (See Chart 2)

Chart 1



1,235,394  
total tangible  
accounts

Chart 2



\$105.9  
total billion

# Non-Homestead Assessment Cap

## How it works:

The SJR limits the annual growth of assessed value for non-homesteaded residential and business properties to 10%. For most non-homesteaded housing properties, this accumulated assessment limitation will expire at change of ownership.

## Helpful details:

- >> For business properties and housing properties of ten or more units (such as large apartment buildings), the assessment limitation remains with the property until there has been a substantial modification to the property (such as construction) or a sale of the property.
- >> The cap will not take effect until the 2009 tax roll.
- >> The 10% cap will sunset after 10 years, at which time it will be presented to the voters for re-approval.
- >> This provision does not apply to school taxes.

## Why it's good for taxpayers:

- >> All properties in Florida will now have guaranteed protections against unexpected, substantial assessment spikes.
- >> Small business owners, second home owners, and renters will be among those benefiting from the new 10% cap, ensuring that the taxpayers who were hit hardest by the property tax crisis will receive relief and protection in the future.

# Property Tax Basics

Prepared by the Senate Majority Office



# Property Tax Basics

## How it works:

All revenue from property taxes is reserved by the Florida Constitution for local governments. Every year, local property appraisers assess all privately owned property based on market value. Due to assessment limitations and exemptions, such as Save Our Homes and the Homestead Exemption, property owners may pay taxes on less than the just value (or market value) of their property.

Local governments set the millage rate (measured in mills), the rate at which properties are taxed. Every property in the jurisdiction is taxed at a uniform rate.

A property's taxable value is multiplied by the millage rate. The result is the dollar amount the property owner actually pays.

## Property Tax Formula

Step one: Calculate "Assessed Value"

Just value – Assessment Limitations (such as Save Our Homes) = Assessed Value

Step two: Calculate "Taxable Value"

Assessed Value – Exemptions (such as the Homestead Exemption and low income seniors; see below for list of exemptions) = Taxable Value

Step three: Calculate total tax bill

Taxable value x millage rate = Total Tax Liability

## Who levies property taxes?

Under the Florida Constitution, local governments are permitted to levy property taxes. County, municipal, and school district governments are authorized to levy taxes up to 10 mills each. Municipal Service Taxing Units (MSTUs) are counties that provide municipal services. MSTUs may levy an additional property tax as set forth in statute.

Independent Special districts may be established by the Constitution or by statute. These districts are subject to a variety of millage caps (usually under two mills) and may be used to fund services such as water management or fire and rescue.

## Other Property Tax Protections

Florida law offers several exemptions for special individual circumstances:

- >> Exemption for Military Service-Connected Total and Permanent Disability – An honorably discharged veteran with service-connected total and permanent disability may qualify for total exemption of homesteaded property used and owned as a homestead, less any portion used for commercial purposes.

- >> \$5,000 Military Service-Connected Disability – Honorably discharged veterans with a service connected disability rating of at least 10% may qualify for this exemption on any property they own.
- >> Up to \$50,000 Local Option Exemption for Low-Income Seniors – Cities and counties may adopt by ordinance an additional exemption up to \$50,000 for qualifying low-income seniors.
- >> \$500 Widow/Widower Exemption – Any widow or widower who is a Florida resident may claim this exemption. Upon remarriage, the widow or widower is ineligible for the exemption.
- >> \$500 Disability Exemption – A Florida resident who is totally and permanently disabled may qualify for this exemption.
- >> \$500 Exemption for Blind Persons
- >> Note: low income seniors may also defer property tax payments; seniors should consult their local tax appraiser's office.

## 2007 Property Tax Reform Efforts

In Special Session 2007B (June 12 - 22), the Florida Legislature passed a two-part plan for property tax relief – a constitutional amendment and a statutory relief bill. Subsequently, a circuit court invalidated the ballot language for the proposed amendment. The statutory portion of the legislation was upheld.

The Florida Constitution requires a 90-day period between final passage of a Joint Resolution (proposed constitutional amendment) and the election for the amendment. To place a proposed amendment on the January 29, 2007 presidential primary ballot, the Legislature must authorize a revised amendment by October 30, 2007.

## Regular Session

The Senate and House approved differing plans during Regular Session 2007, meeting in conference but not coming to an agreement. Both plans included a rate roll-back. The Senate plan rolled rates back to 2004-05 levels, while the House rolled back to 2000-01. While both plans had a cap for future years, the Senate delayed the cap until 2009-10.

The Senate plan provided additional relief by allowing statewide portability with a \$500,000 cap on the transferable savings, and by allowing a first-time homebuyer exemption of \$25,000. The Senate also approved a new \$25,000 exemption on the Tangible Personal Property (TPP) Tax. The House attempted to pass a "tax swap," eliminating all property taxes and raising Florida's sales tax. The House also approved the TPP exemption.

## Special Session 2007 B

The Legislature passed a two-part plan for property tax relief during this special session. A statutory bill created immediate relief and capped property tax revenues. It has been reported that this bill will result in \$2.1 billion in property tax relief this year.

The Legislature also passed a Joint Resolution to create a new "Super" Homestead Exemption. This exemption would cover 75% of the first \$200,000 of homestead value and 15% of the next \$300,000 (for a maximum exemption of \$195,000). All homesteads would receive at least a \$50,000 exemption. Under this plan, homestead owners currently benefiting from Save Our Homes could keep that benefit or choose to switch to the Super Homestead Exemption. The Joint Resolution included a \$25,000 TPP exemption and allowed targeted relief for affordable housing, low-income seniors, and working waterfronts. Subsequently, a circuit court invalidated the ballot language for this proposed amendment, ruling the language confusing and misleading.



# Property Tax Relief & Education

Myth v. Truth

Prepared by the Senate Majority Office

# Property Tax Relief & Education

## Myth:

Property tax reductions will take money away from education.

## Truth:

Some have painted these reductions as a "starvation" program, with drastic cuts that will drain funding from education. This is untrue.

The principle of property tax reduction is simple: taxing must not grow at unlimited rates. The Senate's plan allows governments to grow at a reasonable rate each year. If local governments want to override the limit, they must get approval from the voters.

The Legislature has a proven track record of adequately funding education and will continue to do so in the future, as mandated by the Florida Constitution.

- >> Article 9 Section 1 of the Florida Constitution states that it is "a paramount duty of the state to make adequate provision for the education of all children residing within its borders."
- >> Over the years, the Legislature has consistently honored this mandate by devoting historic levels of funding to public schools. Fully funding education is essential for providing excellence in our schools and giving students greater opportunities to achieve.
- >> In the past seven years we have provided a more than a \$6.83 billion increase in funding for the Florida Education Finance Program (FEFP)—some of the largest increases in education funding in Florida history. In fact, the 2006 FEFP budget saw an increase of 11.15%.
- >> Continuing to fulfill our commitment to the voters who passed the Class Size Amendment in 2002, for FY 07/08 we appropriated a \$581.3 million increase for Class Size Reduction operating, bringing the total investment to over \$2.68 billion.
- >> In the past seven years we have increased FTE funding by \$2,229.37 to \$7,205.81, or 44.80%, in K-12 public schools, providing a substantial boost to every school in the state. We continue to emphasize the importance of classrooms—and the teachers who serve in them. In fact, this past year we had the third highest increase in educational dollars in the past 18 years.
- >> Total FEFP funds have increase over 55% in the past 7 years!
- >> We have increased "average classroom" spending by \$49,000 in the past 7 years (per classroom of 22 students), from \$109,000 in 2001 to \$158,000 in 2007.
- >> Continuing the Legislature's commitment to transforming education in the state of Florida, we provide funding and resources for all levels of instruction.

# PUBLIC SCHOOL FUNDING, 2001-02 through 2007-08

## STATE SUMMARY

### Unweighted Full-Time Equivalent K-12 Enrollment

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Cumulative Increase
UFTE Enrollment	2,453,549.71	2,497,968.51	2,557,438.44	2,609,593.94	2,641,121.29	2,637,549.96	2,642,320.87	188,771.16
% Change in UFTE Enrollment	2.71%	1.81%	2.38%	2.04%	1.21%	-0.14%	0.18%	7.69%

### Total FEFP Funds for K-12 Programs

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Cumulative Increase
State	7,327,271,855	7,695,808,666	8,260,409,846	8,766,990,479	9,125,618,593	9,649,317,564	9,989,664,798	
Local	4,882,671,612	5,338,377,065	5,776,691,992	6,260,556,290	7,129,622,543	8,419,022,015	9,050,399,342	
Total Funds	12,209,943,467	13,034,185,731	14,037,101,838	15,027,546,769	16,255,241,136	18,068,339,579	19,040,064,140	6,830,120,673
% Change in Total Funds	2.21%	6.75%	7.69%	7.06%	8.17%	11.15%	5.38%	55.94%

### Total Funds per Unweighted Full-Time Equivalent Student

	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Cumulative Increase
State	2,986.40	3,080.82	3,229.95	3,359.53	3,455.20	3,658.44	3,780.64	
Local	1,990.04	2,137.09	2,258.78	2,399.05	2,699.47	3,191.99	3,425.17	
Funds Per FTE	4,976.44	5,217.91	5,488.73	5,758.58	6,154.67	6,850.43	7,205.81	2,229.37
% Change in Funds/UFTE	-0.49%	4.85%	5.19%	4.92%	6.88%	11.30%	5.19%	44.80%